

## Relations industrielles Industrial Relations



# Institutional Economics and the American Trade Union Movement

Solomon Barkin

Volume 43, numéro 3, 1988

URI : <https://id.erudit.org/iderudit/050429ar>  
DOI : <https://doi.org/10.7202/050429ar>

[Aller au sommaire du numéro](#)

Éditeur(s)

Département des relations industrielles de l'Université Laval

ISSN

0034-379X (imprimé)  
1703-8138 (numérique)

[Découvrir la revue](#)

Citer cet article

Barkin, S. (1988). Institutional Economics and the American Trade Union Movement. *Relations industrielles / Industrial Relations*, 43(3), 491–508.  
<https://doi.org/10.7202/050429ar>

### Résumé de l'article

Le fondement idéologique du syndicalisme américain, c'est le syndicalisme d'affaires soutenu par les économistes-institutionnalismes qui ont marqué la période précédant la première guerre mondiale. Cette orientation l'a favorisé, mais elle a retardé sa croissance jusqu'à ce qu'un mouvement plus dynamique, plus agressif et d'une plus grande clairvoyance émerge durant la décennie 1930. Ce nouveau mouvement, fondé sur l'action de masse et le militantisme, était complété par la foi dans le libéralisme politique et par l'adhésion à un vaste champ d'activités gouvernementales de façon à encourager l'expansion du syndicalisme et l'amélioration des régimes de services et d'avantages sociaux.

Sous la pression des âpres attaques antisyndicales de l'après-guerre, de la part des conservateurs et des employeurs, le mouvement syndical s'est retrouvé de plus en plus sur la défensive et s'est retranché dans les activités plus « terre-à-terre » de la négociation collective. Caractérisé par une approche un peu plus moderne du syndicalisme d'affaires, les syndicats se sont engagés dans des activités politiques modérées afin de protéger et d'accroître les gains politiques, administratifs et législatifs acquis à l'époque du New Deal. Ce changement d'orientation a permis aux deux branches du mouvement de former la FAT-COI. Peu après, le déclin du syndicalisme dans le secteur privé s'est accentué.

Ce n'est que pendant la décennie des années 1980 que l'organisation centrale a entrepris des démarches en vue de réactiver le mouvement. Ce qui a stimulé ce processus, ce fut l'accélération de transformations significatives dans la vie économique, politique et sociale, la constatation généralisée de la baisse soudaine de la puissance syndicale par les écrivains et les media ainsi que les échecs subis dans les votes de représentation syndicale tenus par le National Labor Relations Board. Pour y répondre, les dirigeants ont mis en œuvre un programme modeste de relations publiques auquel se sont ajoutés des avantages pécuniaires, de même que des services divers pour attirer de nouveaux membres et consolider ce qui existait déjà.

Ces changements majeurs ont impliqué la transformation des structures de l'emploi, entraînant une expansion des services et une contraction partielle dans les secteurs secondaires. Les tâches intellectuelles ont supplanté les besoins manuels. De nouvelles catégories de personnes sont entrées sur le marché du travail. Les employeurs ont réduit leur masse de main-d'œuvre stable en comptant principalement sur des employés d'appoint. L'emploi est devenu moins stable pour la plupart des travailleurs, même aux échelons les plus élevés. Les importations ont remplacé la production domestique. Le conservatisme politique s'est accru. Les employeurs ont cherché à éviter les syndicats ou à s'en débarrasser. Ils ont conjugué ces manœuvres avec des efforts pour diminuer les salaires et avantages sociaux, pour limiter le fardeau de la réglementation du travail protégeant les employés contre des décisions arbitraires. Une vague de fusions et de liquidations d'entreprises a eu pour conséquence d'entraîner la fermeture de nombre d'établissements commerciaux et industriels.

Les syndicats ont subi des reculs dans leurs effectifs et ont dû aussi se fusionner pour consolider leurs ressources. Plusieurs d'entre eux ont réclamé un élargissement de leur champ de compétence pour devenir des organisations syndicales dites « générales ».

Ces conditions difficiles ont obligé les syndicats à réévaluer leurs structures, leurs stratégies et leurs tactiques. Pour affronter ce nouveau défi, les institutionnalismes peuvent être d'un grand secours aux dirigeants syndicaux. Ces derniers peuvent aussi apporter des perspectives nouvelles à la profession d'économiste. Beaucoup de liens communs existent entre les deux groupes. Chacun reconnaît l'imperfection des aménagements économiques actuels de la société et les déficiences qu'ils ont produites. Une réforme est essentielle pour établir une société plus équitable et une économie florissante. Ce sont là des objectifs communs aux deux groupes. En cherchant les moyens d'effectuer des changements, ils sont l'un et l'autre pragmatistes et expérimentés.

Ils sont prêts à vérifier les résultats de près et à modifier les programmes de manière à leur assurer des résultats plus efficaces et plus durables. Ni l'un ni l'autre n'est disposé à accepter les principes non plus que la méthodologie économique courante. Ils considèrent cette façon de penser comme étant la justification de l'ordre des choses, telles qu'elles existent actuellement, laquelle se montre partielle dans ses hypothèses et ses opinions favorables aux structures du pouvoir économique et aux critères actuels de rendement. Pour eux, aucun modèle unique de comportement ne peut décrire valablement la motivation économique humaine, les attitudes et les prises de décision. Ce sont les circonstances historiques et culturelles ainsi que les affiliations de groupes qui sont les causes déterminantes de tels actes. Dans leurs analyses, ils adoptent une approche essentiellement empirique; ils procèdent par déduction pour en arriver à des conclusions qui tiennent compte, dans leurs priorités, de l'orientation sociale. Ils sont méfiants face à la concentration du pouvoir économique et favorisent la formation de groupes capables de le contrebalancer de façon à assurer un meilleur équilibre dans les négociations sur des marchés libres. Le contrôle public des entreprises est nécessaire pour garantir une ligne de conduite qui soit socialement plus avantageuse.

Les syndicats ont mis de l'avant cinq principes fondamentaux que partagent les institutionnalismes. Premièrement, la consultation entre les syndicats et les employeurs devrait être le critère principal du comportement de la direction de l'entreprise. Le contrôle de la performance de la direction par le syndicat est essentiel pour assurer le fonctionnement efficace et durable des entreprises.

Deuxièmement, les travailleurs devraient participer aux gains provenant de l'augmentation de la productivité. Troisièmement, les coûts des risques professionnels devraient être assumés, non plus par les travailleurs mêmes, mais par des régimes d'assurances industriels et publics ainsi que par des systèmes de bien-être social et d'éducation. Quatrièmement, il faudrait standardiser les normes et les conditions de travail dans les champs d'activité où il y a concurrence. Cinquièmement, la reconnaissance de la diversité des intérêts des employeurs et des salariés tout comme la coopération dans les domaines d'intérêts communs devraient constituer les principes directeurs de leurs relations.

Les syndicats et les institutionnalismes favorisent un régime de planification incitatif, mais l'expérience américaine passée n'a été que peu satisfaisante parce que les chefs d'entreprise ont pris en mauvaise part ou ont évité les comités de consultation ou de participation.

Les deux groupes, pourtant, peuvent tirer profit d'une coopération plus suivie ainsi que de l'échange de leurs points de vue et de leurs expériences.

# ***Institutional Economics and The American Trade Union Movement***

**Solomon Barkin**

*In the context of the major changes of the eighties, the author examines how institutional economists and unions can be of great assistance one to the another.*

Institutional economists at different periods during the last century urged the middle class and employers to accept and accommodate themselves to the penetration by unions of our industrial society. In the early decades they moreover offered new rationalizations for this position, ones more suitable to the evolving industrial culture. In the prevailing climate in which economists oppose or as a minimum harbor suspicions about the appropriateness of these organizations, these endorsements struck a truly novel chord. They questioned the existing plight of the working population and urged its improvement in status and well-being. While their writings and activities were helpful, their input was not the critical factor in the spread of unionism and collective bargaining. The basic impulses feeding their rise and growth sprang from the frustrations, misery, pains, poverty and repression experienced by these people. Their own aspirations and expectations propelled them into action, either to form unions or working class parties or both.

The academic writings and advocacy of these causes reinforced the stirrings in labor's ranks. They also developed the intellectual framework underlying the dominant wing of the American trade union movement, the American Federation of Labor. They offered views on the appropriate structure and practices for unions and their relations with employers. They sought to improve material conditions and also to swell the feeling of dignity in the hearts of employees. From this state of broad satisfaction with jobs would also flow the acceptance by workers of their subordinate role in industry. The ultimate hope was the emergence of harmonious relations between individual employers and their employees, contributing to the realization of industrial peace, the ultimate desideratum. This industrial relations

---

• BARKIN, S., Professor, University of Massachusetts, Amherst, Mass., U.S.A.

model remains to this day in public discussion the prevailing profile for employers and employees. As for the unions, it constitutes the form which is commonly characterized as «business unionism».

But the shortcomings of this view of unionism became particularly apparent as the organizations spread throughout the industrial system. This turn came with the swelling of labor's ranks during the thirties and forties: a new spirit permeated the more aggressive branches of the movement and, in time, penetrated others. Members and leaders recognized the need for specific reforms to ameliorate working conditions, elevate standards of living, and democratize opportunities for individual growth and adjustment. They also looked for improvements in communities to realize the hope and dreams expressed by the national intellectual and political leadership of the time.

The New Deal was a social reform movement and trade unions were organizations for advances closely associated with each other and intertwined in the minds and the feelings of the working population. The objectives were national in scope. Like other sections of the population, members also learned that governments could play an active role in advancing their own goals; the working group was ready to support them to gain their ends. As a matter of fact the political leaders, sparked by the intellectual orientation of the day, were the innovators of the measures. Union leaders learned that their responsibility was to provide support for the new proposals for social advance as well as formulate the workers' expectations which remained undefined by the progressive political elements and to redefine the latter's proposals to get them better to serve their constituency. Government was to be held responsible for the maintenance of full employment and economic and price stability, a high rate of economic growth and productivity and aid for the disadvantaged to adapt to the urban industrial world.

Unions accepted a more popular version of Keynesianism in endorsing governmental initiatives and direct intervention to advance their objectives. The prior union emphasis on benefits primarily for union members was progressively widened into advocacy for national coverage. The stress was on achieving reforms and not immediate union benefits.

These ideological adaptations to the stream of change in the American environment tell us that a comparable shift in positions might now again be appropriate in face of the more recent alterations in circumstances. The trade union movement has to consider current realities in shaping policies, strategies and tactics. The American Federation of Labor-Congress of In-

dustrial Organizations recently engaged in one such initial exercise, offering innovations to meet the new circumstances<sup>1</sup>. But more far-reaching changes are needed.

### URGENCY FOR UPDATING AGENDA FOR ACTION BY TRADE UNIONS

The urgency for such action is made evident by a mere enumeration of the changes in the world of work. It dramatizes what institutional economists have repeatedly underscored to be the cultural lag in societies where large-scale physical and technical changes occur, forcing vast rearrangements in social institutions and ideas. The transformation most widely noted has been the shift from an economy dominated by the secondary to one based on the service sector. While opportunities for white collar, professional, technical and service employments are soaring, those for manual workers are shrinking. The appearance of the work force is being altered dramatically by the addition of women, minorities and immigrants. Management is contracting its permanent core of employees, replacing them with part-time, temporary, short-term employees and those engaged under leases from rental agencies. The former often enjoy job guarantees, and other benefits; the latter are granted few and are dependent upon market employment agencies for guidance and support. Basic shifts are occurring in the geographical distribution of jobs. Competition is not contained primarily within single countries, but exists on an international scale. Business structures are being slimmed as more operations and services are performed by outside agencies, contractors or subsidiaries. The central business organization has shed all but a few functions to enhance its flexibility. The ideal form of operation is the «hollow corporation» surrounded by a ring of nominally independent units. Employment and personnel policies in many instances are now controlled by local agencies, relieving the central organization of these responsibilities. But in other instances, a reverse process has been followed, concentrating authority in the central groups. The overall effect of both trends has magnified the dependence of local units on the top structures. The direction is determined by business executives in terms of ease of administration and results on financial returns.

The new systems of business organization accentuate uncertainty, flux and movement, generating frustration, fear and counterdemands among the affected groups to achieve protection from the risks imposed upon them. The threats to security affect not only the lower rungs of employees

---

<sup>1</sup> American Federation of Labor-Congress of Industrial Organizations, Committee on the Evolution of Work, *The Changing Situation of Workers and Their Unions*, Publication No. 165, Washington, D.C.

as had been customary in the past but also the highest ones. But the latter tend to secure «golden parachutes» on separation. The adverse effects are also felt by communities and nations. A stark coldbloodedness permeates the decision-making processes, in part accentuated by the distance of the affected groups from the headquarters of these organizations, reminding one of the abuses associated with absentee ownership.

Three additional sources of disruption are particularly significant to the trade union movement. One is the acceleration of the deregulation process, particularly in such highly unionized industries as airlines, railroads and transportation. A second is the breakup of the American Telephone and Telegraph Company. The third is the steady growth of imports which in recent years seriously undermined the security of many established large-scale basic American industries, leading to plant closings and the bankruptcy of corporations. Virulent protests from trade unions fed the dissent, which converted a traditional liberal trade attitude to one calling for restrictive measures.

Unions have also felt the impact of the rising tide of political conservatism. Significant existing labor and social legislation is being emasculated through amendments, reductions in appropriations, and harsh and dilatory administration. Many legislative and administrative battles are being fought by trade union representatives to maintain these social services and benefits desperately needed in face of the conditions created by the recession and the disruptive economic changes. Liberalization of the programs is secured only when crises occur as in the case of the homeless, and provisions for medical care for the aged.

Besides experiencing an erosion of membership and influence from the above-noted reasons employers initiated vigorous efforts to weaken existing unions and combat organizing efforts. Union avoidance has been a primary target of American management. A whole new profession of consultants skilled in the arts of propaganda and the law emerged to dissuade employees from supporting union efforts. Management has in some instances introduced more humanizing and modern techniques of personnel practice to mute talk of organizing. The consequence has been a rising number of union decertification efforts and a declining ratio of union victories in representation elections. The National Labor Relations Board dominated by President Reagan's appointees is clearly unsympathetic to unions in their handling of charges of employer violation of the law.

Unions are faced with these setbacks and relatively novel challenges in contract bargaining. Management confronts them with demands for concessions in the terms of employment in the negotiations of contracts and

even during their life, on pleas of competitive costs and threats of plant closures. To avoid these unwelcome results, employees and unions have acquiesced to some changes. In some instances, they have been able to negotiate offsetting benefits and protection to improve job security or profit-sharing. On the overall workers' real earnings have stagnated. Work regulations have been relaxed, allowing employers more flexibility in plant operations. Labor costs have declined. Productivity has risen. Reductions in the work force are common. But what has been most galling has been the rise in corporate profits and the extraordinary inflation of stock values and dividends. The number of millionaires has soared. The distribution of income has become more skewed<sup>2</sup>. In contrast European workers have generally realized a reduction in the length of the work week from forty to 37, 38 and 39 hours, varying by country, and secured real wage increases and other contractual benefits.

The above record has sullied union images. Economic adversity weakened the motivation to unionize. Anti-union programs continue to flourish and spread. The common plea of academics and journalists is for union cooperation with management, overlooking the reciprocal responsibility of government and management to help realize union and employee objectives.

One final observation on these difficulties relates to the problem of union structure for the new era. Industrial unions largely replaced craft and trade unions. But now they are being converted by fortuitous circumstances into general unions, covering sundry collections of jurisdictions. But these, in their present form, can hardly be the prototypes for the future. If class consciousness has become obsolete, trade and industry ties loosened, and corporate associations fleeting, the trade unions are called upon to formulate a concept and epithet uniting the disparate categories who constitute the employee grouping, ranging as they do from the submerged to the aspiring.

## INSTITUTIONALISM AND TRADE UNIONISM

In every trade union evaluation project it would be useful to consult with intellectual groups and developments which share approaches, convictions and objectives with those of unions. These external sources may offer additional insights into the dilemmas unions face and supply suggestions for new courses to follow. The AFL-CIO adopted this path in its first exercise in this field. This paper points to a group with which it can undertake a profitable exchange.

---

2 Stephen KOEPP, «A Lament: All Work and Less Pay», *Time*, July 13, 1987, p. 48.

As already noted the pioneers of this school of economics were social critics and reformers. They believed that trade unions could provide an important leverage for effecting changes in the industrial relations field to benefit all interests. Their withdrawal from this field of interest in their later years was partially due to their conviction that unions had before World War I begun to follow a militant course, which they attributed to foreign leadership or inspiration. In more recent years, few members of this school pursued these issues, though they quite generally noted that unions constituted an important segment in society which had to play a vital role in the decision-making processes.

### **Economic Shortcomings**

An important plank in the thinking of the institutional economists and unionists is that the present economic system with its emphasis on the centrality of the profit motive for the guidance of its operations inhibits the realization of the full potential of individuals, communities and the nation. They point to a number of shortcomings to buttress this conclusion. As for the effects on the population, they deplore the large numbers of disadvantaged, low-income persons and low living standards of millions of people, together with the high degree of discrimination. Criticism is leveled at the failure of communities to furnish essential services and the inferior quality of some of them. Unequal bargaining power deprives employees of fair remuneration. The income distribution is sharply skewed. Millions of prospective members of the work force do not possess the preparation and knowledge or skills for active employment.

The economy is basically unstable, suffering from sharp swings in the rates of activity and unable to provide jobs for large numbers in the labor market. Prices often reach inflationary levels. Management, production and marketing leadership and techniques have remained laggard in many branches of industry, handicapping them in international competition. Many innovations remain underutilized and inappropriately applied. The stress in corporate America is on short-term returns and high prices. Gains made through financial manipulation are tagged as being as honorable as those achieved through advances in production.

The domestic social structure has not received the attention needed to keep the population abreast of industrial developments. One institutionalist has summarized the situation by deploring the existence of «private affluence and public squalor». Communities sidestep their responsibilities and prove inept in handling the problems of the underclass.

## Reform

Both institutional economists and unionists are persuaded that these and other unfavorable conditions should and can be corrected. Both are activists and convinced that improvements should be made incrementally to ease the transitions, to convert the population to the usefulness of the change and to amend the innovations where correction is essential to achieve the goals. Sudden sweeping changes are often disruptive of past achievements and reconstruction. The emphasis is on a positive constructive approach to change.

## Opposition to Mainstream Economics

Workers and unionists have long been battered by the aphorisms of mainstream economists, and therefore developed deepseated antipathies and suspicions toward their analyses and positions. They view the economists as apologists for the current economy rather than objective students. For them the conclusion that market prices truly measure values or the contribution of each factor of production is highly questionable. Nor can they accept the proposition that union pressures and actions in the labor market distort price and wage levels and are a basic cause of economic disequilibrium. Having witnessed economists' opposition to legislative remedies for low wages, long hours and unsafe working conditions, they cannot be persuaded that their conclusions reflect impartial research. They would rather attribute these findings to ideological biases. Having a clear memory of the thirties, they are unable to lend credence to propositions that the economy is self-adjusting. They view suspiciously the omission of the human and social costs of industrial productions. Moreover it seems shocking for them to read the testimony before a Senate Committee by a nominee for the Chairmanship of the Securities and Exchange Committee that «it was healthy for the capital markets when shareholders received a premium for their stock in takeover situations and, in general, he seemed to put these considerations ahead of loss of employment and other disruptions to the local communities»<sup>3</sup>.

## Pluralism

Another area of distinction relates to the assumptions concerning human behavior. Mainstream economists have adopted a simplified pattern

---

<sup>3</sup> *New York Times*, July 23, 1987, p. D1.



for all groups. Each person will make a rational choice based on his estimated personal advantage or gain. On the other hand, the institutional economist believes that behavior is affected by cultural factors. Most selections will be made on the basis of habit. Only occasionally will a choice be deliberately made after a careful appraisal of the specific data and reflection. To pursue this assumption, the investigator must be familiar with the specific cultural setting of the people with whom he is dealing.

Grouping people into broad categories such as employers, employees and consumers will not be sufficient. Subgroupings within each category are likely to deviate considerably from one another. Individuals are influenced by diverse alternative associations as well as personal relationships. Psychologists have found that siblings raised in the same environment are likely to refract these impacts very differently. One of the major errors in personnel practice is for management to assume that employees at all rungs of the ladder will react alike to incentive systems and other factory techniques. Oversimplified theoretical models of human behavior are likely to provide a tenuous basis for projecting behavior.

Trade union leaders are ever alert to the diversity of opinion, allegiances, political groupings and influences among their following. In dealing with contentious issues, they seek to shape policy, strategy and tactics in the light of these differences. In moving for the acceptance of proposals likely to encounter difficulties, appeals are made to critical groups and seek to meet their objections and conditions for support. Such political realists are unlikely to swallow generalized simplified formulae concerning human behavior. Knowing that the test of success is the final vote on proposals, they must be at all times keenly responsive to the differences in the body politic. Even in cases where they enjoy broad authority for formulating judgments or in negotiations, they must always keep in mind that the trade union is a voluntary democratic body where dissenting groups have the right to challenge the leadership and even to withdraw from the organization. Policies and practices must allow for the continued support from the membership. Unionists are therefore highly receptive to pluralistic views of the society and economy. Moreover, in supporting consultation, discussion and labor's participation in the administration and policy making in the enterprise the institutional economist endorses views close to those held in the trade union movement.

### **Objectives**

It is in the field of objectives that the two groups disclose their basic similarities of orientation. Both are committed to promote the development

of societies which will enable individuals and communities to realize their full potential and provide progressively higher standards of living for the population. The economy is to produce the goods and services which will contribute to these ends. Unlike the mainstream economists who accept all marketable goods and services as contributions to the national gross product, the institutional economist and trade unionist firmly believe that the value of goods and services is determined by the addition they make to human well-being. They also share the conviction that with advances in technology and methods of management, standards can and should be incrementally advanced.

As part of their conception of the ends they have in mind they also prescribe as essential a number of communal mores and principles which will determine the mode of living. First would rank a democratic system of governance in economic and political society in which all people enjoy equal status and are assured equal and non-discriminatory access to all services, goods and employments. Within the total society and institutions provision must be made for the filing of individual complaints of unfair treatment which should be processed by independent agents; and if sustained ultimately by impartial judicial officers remedies should be enforced and compensatory damages awarded. Provisions should be made for the accommodation of differences between groups through consultation, discussion, negotiations and bargaining. In the industrial relations fields where adjustments are not voluntarily reached strikes would be permissible. Regular attention should be directed to the needs of the disadvantaged to enable them to achieve the optimum active state. The income distribution should not be distorted by gross inequalities and exploitation of temporary bargaining advantages. Economic institutions should be operated efficiently and effectively, with management implementing the most progressive methods and technology consistent with the assurance of healthy and safe working conditions and the purveyance of high quality merchandise and services.

### **Constraints on Corporate Power and Countervailing Power and Guidance**

A common area of belief is that vast changes in the organization of our economy have produced larger and larger concentrations of economic power. Fewer people control the destinies of enterprises, industries, nations and the world. Reliance on competitive processes of the last century offers little hope for achieving a balance among enterprises and free market decisions on prices and products. Oligopolists are now the principal decision makers in national and international economies. Having become con-

glomerate in their composition, their influence spreads over broader areas. Through the development of the «hollow corporation», they are able to affect the activities of enterprises in which they may have little or no investments. By acquiring holdings in many different lands, their directives are determining the conduct in more areas of the world. The economic fate of more and more people is in the hands of fewer and fewer persons. Economic decisions tend to be affected to an increasing extent by short-term financial considerations. For ordinary business risks, these oligopolists are designing the relationships with suppliers and buyers to transfer risks to them. Their influence on political life has become more extensive as their holdings have grown.

The challenge of coping with these citadels of economic power has become more formidable. Governments are becoming more reluctant to try to upset these structures. In some instances, governments have even withdrawn from these activities and openly encouraged acquisitions in the hope that their national enterprises would improve their competitive positions in the world economy. Much new thinking is required to deal effectively with these formidable economic behemoths.

One traditional idea has been to encourage the formation of parallel concentrations to achieve a balance in economic power. But this move has stimulated the pursuit of policies of *noblesse oblige* in which the contending giants accept the principle of price leadership by one or the other among them and contain their competition to a battle for market shares through non-price phases of their offerings.

Other producers, particularly in the agricultural industry, have adopted the pattern of collective action, the cooperative. These associations perform buying or selling functions and offer other services and manufacturing facilities to their membership in the hope that they would be able to protect themselves from the economic power of the large aggregates. And in fact they have played a significant role in effecting a better balance in these markets, often becoming the dominant forces within them.

The trade union is another institution which emerged to develop an evenness of power between employers and labor in the market place. Individual workers recognizing the limitations of their personal individual leverage formed unions to represent them in their relations with employers. This rationale for unions was offered in the testimony before the Congressional Committees in support of the provision which later became known as Section 7 (a) of the NIRA and the National Labor Relations Act. In shaping the legislative package for the New Deal in 1933, President Franklin Roosevelt took particular pains to assure a parity of benefits and conces-

sions to management and labor to secure their support for the program. This concept of unions as a countervailing power in the economy has remained a significant part of the institutional economics doctrine. It acquired specific prominence with the elaboration of this concept in the writings by John Kenneth Galbraith<sup>4</sup>.

An alternative proposal endorsed by some institutionalists and on occasion by the trade union movement has been the social control of the corporation. The specific forms in which this plan has been presented have varied considerably. One crucial one has been the federal chartering of corporations which would replace the varied state systems for large corporations engaged in interstate and foreign commerce. The federal statute would include provisions concerning the system of governance, disclosure, acquisitions and expansion and restraints on behavior. The American Federation of Labor-Congress of Industrial Organizations has on occasion adopted resolutions supporting this alternative.

### Trade Unions

Five new and old issues relating to the role of unions in our industrial society require special review. The first relates to management's current drive to enlist employee assistance in securing improvements in plant productivity. Among the techniques advanced by management has been consultation with employees, quality control circles and the cancellation or relaxation of specific shop rules which it found onerous or obnoxious. Unions have shown a willingness to negotiate and reach agreements concerning them. In return they sought and often obtained benefits such as job protection, retraining, employment guarantees and other compensatory provisions.

But what is most significant is that unions have thereby been encouraged to think about their continuing responsibilities for reviewing and passing judgments on management's policies and performance. These matters were traditionally considered outside of the purview of union concern. European union demands for representation on boards of directors and detailed information on corporate plans and programs have frequently been rejected by American union leaders as being unrelated to their basic functions. They feared having to shoulder managerial responsibilities. As many leaders have noted they have been unwilling to sit on both sides of the bargaining table. But recent economic setbacks in basic American industries forced new

---

<sup>4</sup> John Kenneth GALBRAITH, *American Capitalism: The Concept of Countervailing Power*, Boston, Houghton Mifflin, 1952.

responsibilities on unions as a result of management's initiatives and the broad public support for the concept of labor-management cooperation in the operation of the enterprise. Workers thereby became keenly aware of how much their own economic destiny was dependent upon positive operating results and the avoidance of acts of mismanagement. Unions began to seek the right for the routine monitorship of operations. Administratively they requested representation on boards of directors, information on management plans and actual performance and opportunities to offer proposals and comments on proposed programs. The move that started out as program for cooperation instigated by management has become a union program for assuring the long life of the enterprise. But this proposal has not received a hearty welcome by managements. Corporation executives resisted these proposals, preferring rather to retain their full rights of management though ready to accept employee suggestions on shop floor operations. Even where employees have acquired the ownership of the company most arrangements have not been prepared to accept employees as monitors of their performance. The hiatus between the two groups has been responsible for many failures in this field.

A second more traditional issue, related to the above, is union advocacy of workers' sharing in the benefits of rising productivity. This claim has been repeatedly made. But the most momentous turn came in the late 1940s when the automobile industry agreed to a permanent improvement factor in the annual wage package to reward employees for these advances. While this arrangement was not broadly followed, most large industries matched this increase as they followed the automobile wage pattern. It continued to be paid well into the 1980s.

This provision established the principle that management could and should finance the cost of the wage increases through continuing efforts at improvements in productivity and also avoid raising prices to pay for wage improvements. The dynamic union wage policies in the postwar years remained a central feature of labor negotiations in this country until these pace-setting industries faced with the competitive challenge from foreign producers called on labor to participate actively in the advances of productivity.

Another union wage policy which runs parallel to the thinking of the institutional economist provides for the transfer of the costs of the risks of employment from the individual or society to the industrial system and to public insurance and welfare programs. In the first group are the many fringe benefits now contained in collective agreements and in the second are the public insurance and service programs provided by the federal and local governments. These cover such risks as unemployment, technological

displacement, plant closings, old age, ill health, accidents, disability, obsolescence of skills and deficiencies in industrial training and literacy. The visions of J. M. Clark have been partially realized and the pressures from the trade unions and current social concerns are progressively extending the coverage of risks and improving the benefits to be borne by the industrial and social systems.

A fourth union policy which received much less attention and won less approval is the standardization of labor rates and conditions among competitors. The concept of a standard market wage was one which appeared in the earliest years of the British trade union history and was transferred to this country and widely applied through its history. This view nursed the demand for labor market and industry agreements. It finds its counterpart in the action of price and wage leadership patterns for their competitors. Union spokesmen often articulate this concept by raising the demand that labor standards should not serve as a basis for competition, thus hoping that producers and sellers will compete with one another through their relative managerial effectiveness. Nevertheless, mainstream economists look suspiciously on this practice. And, of course, some competitors exploit differences in labor standards in their market contests. Unions in the western world including the United States responded by supporting minimum wage and other labor legislation to put a floor on the terms of employment. This view is further reflected in union demands for international labor standards for competitors in international trade.

A plea commonly heard in the industrial relations field among institutional economists is that for cooperation. The concept is simple but misses the essential reality of the many differences in interest and economic power among the parties. Students in this field recognize that each side to a controversy is likely to offer reasonable arguments and considerations in stating its position. But they will diverge in the factors they consider and the priorities and values they assign to them. In determining the tenacity with which they will hold onto these claims, they will balance the costs and gains of strife. Economists have even set up a calculus for reaching these decisions. The difference in the degree of sacrifice each party is willing to accept is also as determining as the external pressures for settlement. Compromise is frequently urged by the outsider but the price and frustration of taking such action may daunt the participants. The reconciliation of positions is therefore a challenging goal and skilled mediators are often helpful in such cases. But negotiations at times do fail to bring such welcome results and strikes do occur. Even when settlements are reached, the relations between the parties may have been sufficiently embittered by the strife and the debate as to becloud and disturb future relations. Pleas for cooperation do not offer an automatic course for reaching solutions.

### **Planning and Economic Guidance**

Economic planning has the approval of many institutional economists as judged by the writings in the field. Hopefully such a system would supplement the operations of the free market and assure the realization of the recommended economic and social objectives. The basic mechanisms for achieving these ends presumably would be economic analysis and projections, the supply of public goods and services and fiscal policy. No one contemplates establishing a command process. The planning agency would function as an advisor to the legislative and executive bodies. Decisions on measures, if any, would be left to the latter. All recommendations would be tested by objectives set forth in the basic enabling document of such a system. The guide presumably would be to encourage the production of socially useful goods and services rather than exclusively market-determined ones.

One proposition common to these proposals is the provision for an advisory body composed of representatives of the various interests attached to these planning agencies. But the experience with them has not been salutary. Nor have other groups fared much better. Most of them have been dealt with most perfunctorily by the agency's officials and staffs. Two illustrations will highlight these difficulties. The Council of Economic Advisors whose advisory groups are defined in the enabling act has allowed them to atrophy. It was only in the early Council days that chairmen regularly consulted with the advisors. Efforts to reestablish the relationship in the last two decades have been unrewarding. The experience of the Consumers Advisory Board in the National Industrial Recovery Administration was also sad. The Board and staff consisted of highly qualified persons but their influence was minimal. Other cases would reinforce the general conclusion that the interest group which is to be consulted must not only have considerable political influence but also a responsive citizenry who will be ready to reinforce the activities of their spokesmen within the advisory unit. Rarely do these bodies act as a working party which works out policies and directives which are taken seriously by the agencies themselves. In fact unions and other groups have found Congressional committee hearings on specific legislative or general issues more useful forums for presenting their views. This casual and unmindful treatment of these advisors stands out in sharp contrast with the dynamic role they play in many European bodies.

The trade union movement was for many years highly sympathetic to these proposals but its interest waned as unsympathetic administrations took office and followed policies incongruent with its own. It feared that proposed agencies might become a tool for obstructing thorough analysis

and consideration of the tests and objectives set forth in enabling legislation. Conservative administrations are unlikely to support them. Unions have therefore focused on specific reforms rather than a general overall planning agency. One experience which reinforced this position was the failure to get broad support for the formation of a Council on Social Advisors to provide guidance for the development of a more integrated social welfare and service system. Other developments which discouraged interest in the concept of a planning agency have been the domination of mainstream economists of the present Council of Economic Advisors and the consequent change in its outlook and the inordinate preoccupation with short-term economic analysis and neglect of structural problems.

## CONCLUSION

Institutional economics has a broad official and unofficial following among economists and the lay public. The latter are truly sympathetic to an approach which is empirical and deductive in its orientation. Their spokesmen view the world as a scene of continuing change and in the process of evolution, are holistic in their analysis of the economic sector of the society, are cognizant and understanding of the cultural historic setting from which our behavior and views emerge, are clear about the ends they seek and reformistic and pragmatic in the ways for attaining their goals. They must be ready to test and if necessary modify instruments of change to achieve effective and sound results<sup>5</sup>. The task which lies ahead is that of communicating these views to the body politic.

This paper reviewed many convictions and beliefs of the institutional economist and their similarities and occasional differences with those held by trade unionists. This can only be considered to be an initial foray for this type of dialogue. Both groups have an urgent need for further exchanges better to understand each other's needs and views and learn how best to promote their common base of values and conclusions about how to advance the well-being of the American society. Many views offered by constitutional economists have to be brought up to date and reconciled with our more recent experiences. One good source for this information would be the trade unionist. The latter faces as noted critical problems affecting its future. The empirical and evolutionary approaches offer a rich fount of understanding which could aid the latter in its reevaluation of its organization, views and policies.

---

<sup>5</sup> Allan G. GRUCHY, *The Reconstruction of Economics*, Westport, Connecticut, Greenwood Press, 1987.



## *L'approche institutionnaliste en économie et le syndicalisme*

Le fondement idéologique du syndicalisme américain, c'est le syndicalisme d'affaires soutenu par les économistes-institutionnalistes qui ont marqué la période précédant la première guerre mondiale. Cette orientation l'a favorisé, mais elle a retardé sa croissance jusqu'à ce qu'un mouvement plus dynamique, plus agressif et d'une plus grande clairvoyance émerge durant la décennie 1930. Ce nouveau mouvement, fondé sur l'action de masse et le militantisme, était complété par la foi dans le libéralisme politique et par l'adhésion à un vaste champ d'activités gouvernementales de façon à encourager l'expansion du syndicalisme et l'amélioration des régimes de services et d'avantages sociaux.

Sous la pression des âpres attaques anti-syndicales de l'après-guerre, de la part des conservateurs et des employeurs, le mouvement syndical s'est retrouvé de plus en plus sur la défensive et s'est retranché dans les activités plus «terre à terre» de la négociation collective. Caractérisés par une approche un peu plus moderne du syndicalisme d'affaires, les syndicats se sont engagés dans des activités politiques modérées afin de protéger et d'accroître les gains politiques, administratifs et législatifs acquis à l'époque du *New Deal*. Ce changement d'orientation a permis aux deux branches du mouvement de former la FAT-COI. Peu après, le déclin du syndicalisme dans le secteur privé s'est accentué.

Ce n'est que pendant la décennie des années 1980 que l'organisation centrale a entrepris des démarches en vue de revivifier le mouvement. Ce qui a stimulé ce processus, ce fut l'accélération de transformations significatives dans la vie économique, politique et sociale, la constatation généralisée de la baisse soudaine de la puissance syndicale par les écrivains et les média ainsi que les échecs subis dans les votes de représentation syndicale tenus par le *National Labor Relations Board*. Pour y répondre, les dirigeants ont mis en oeuvre un programme modeste de relations publiques auquel se sont ajoutés des avantages pécuniaires, de même que des services divers pour attirer de nouveaux membres et consolider ce qui existait déjà.

Ces changements majeurs ont impliqué la transformation des structures de l'emploi, entraînant une expansion des services et une contraction partielle dans les secteurs secondaires. Les tâches intellectuelles ont supplanté les besognes manuelles. De nouvelles catégories de personnes sont entrées sur le marché du travail. Les employeurs ont réduit leur masse de main-d'oeuvre stable en comptant principalement sur des employés d'appoint. L'emploi est devenu moins stable pour la plupart des travailleurs, même aux échelons les plus élevés. Les importations ont remplacé la production domestique. Le conservatisme politique s'est accru. Les employeurs ont cherché à éviter les syndicats ou à s'en débarrasser. Ils ont conjugué ces manoeuvres avec des efforts pour diminuer les salaires et avantages sociaux, pour limiter le fardeau de la réglementation du travail protégeant les employés contre des décisions arbitraires. Une vague de fusions et de liquidations d'entreprises a eu pour conséquence d'entraîner la fermeture de nombre d'établissements commerciaux et industriels. Les syndicats ont subi des reculs dans leurs effectifs et ont dû aussi se fusion-

ner pour consolider leurs ressources. Plusieurs d'entre eux ont réclamé un élargissement de leur champ de compétence pour devenir des organisations syndicales dites «générales».

Ces conditions difficiles ont obligé les syndicats à réévaluer leurs structures, leurs stratégies et leurs tactiques. Pour affronter ce nouveau défi, les institutionnalistes peuvent être d'un grand secours aux dirigeants syndicaux. Ces derniers peuvent aussi apporter des perspectives nouvelles à la profession d'économiste. Beaucoup de liens communs existent entre les deux groupes. Chacun reconnaît l'imperfection des aménagements économiques actuels de la société et les déficiences qu'ils ont produites. Une réforme est essentielle pour établir une société plus équitable et une économie florissante. Ce sont là des objectifs communs aux deux groupes. En cherchant les moyens d'effectuer des changements, ils sont l'un et l'autre pragmatistes et expérimentés. Ils sont prêts à vérifier les résultats de près et à modifier les programmes de manière à leur assurer des résultats plus efficaces et plus durables. Ni l'un ni l'autre n'est disposé à accepter les principes non plus que la méthodologie économique courante. Ils considèrent cette façon de penser comme étant la justification de l'ordre des choses, telles qu'elles existent actuellement, laquelle se montre partielle dans ses hypothèses et ses opinions favorables aux structures du pouvoir économique et aux critères actuels de rendement. Pour eux, aucun modèle unique de comportement ne peut décrire valablement la motivation économique humaine, les attitudes et les prises de décision. Ce sont les circonstances historiques et culturelles ainsi que les affiliations de groupes qui sont les causes déterminantes de tels actes. Dans leurs analyses, ils adoptent une approche essentiellement empirique; ils procèdent par déduction pour en arriver à des conclusions qui tiennent compte, dans leurs priorités, de l'orientation sociale. Ils sont méfiants face à la concentration du pouvoir économique et favorisent la formation de groupes capables de le contrebalancer de façon à assurer un meilleur équilibre dans les négociations sur des marchés libres. Le contrôle public des entreprises est nécessaire pour garantir une ligne de conduite qui soit socialement plus avantageuse.

Les syndicats ont mis de l'avant cinq principes fondamentaux que partagent les institutionnalistes. Premièrement, la consultation entre les syndicats et les employeurs devrait être le critère principal du comportement de la direction de l'entreprise. Le contrôle de la performance de la direction par le syndicat est essentiel pour assurer le fonctionnement efficace et durable des entreprises. Deuxièmement, les travailleurs devraient participer aux gains provenant de l'augmentation de la productivité. Troisièmement, les coûts des risques professionnels devraient être assumés, non plus par les travailleurs mêmes, mais par des régimes d'assurances industriels et publics ainsi que par des systèmes de bien-être social et d'éducation. Quatrièmement, il faudrait standardiser les normes et les conditions de travail dans les champs d'activité où il y a concurrence. Cinquièmement, la reconnaissance de la diversité des intérêts des employeurs et des salariés tout comme la coopération dans les domaines d'intérêts communs devraient constituer les principes directeurs de leurs relations.

Les deux groupes, pourtant, peuvent tirer profit d'une coopération plus suivie ainsi que de l'échange de leurs points de vue et de leurs expériences.

SOCIOLOGIE  
ET SOCIÉTÉS

Revue thématique semestrielle (avril et octobre). La seule revue de sociologie de langue française à vocation internationale en Amérique en français, en anglais et en d'autres langues nouvelles ou inconnues. C'est le Québec français.

Directeur Louis Mabeu

☐ Phénomène urbain, 5\$    ☐ Les Systèmes d'enseignement, 7,50\$    ☐ Sémiologie et idéologie, 7,50\$    ☐ Femme/travail/syndicalisme, 7,50\$    ☐ Domination et sous-développement, 7,50\$    ☐ Science et structure sociale, 7,50\$    ☐ Travaux et recherches sur le Québec, 7,50\$    ☐ Pour une sociologie du cinéma, 7,50\$  
☐ La Mobilité sociale : pour qui, pour quoi?, 7,50\$    ☐ La Gestion de la santé, 7,50\$    ☐ Psychologie / Sociologie / Intervention (*réimpression*), 9,50\$    ☐ Le développement des relations sociales chez l'enfant, 7,50\$    ☐ Changement social et rapports de classes, 7,50\$    ☐ Critique sociale et création culturelle, 7,50\$  
☐ Développement national et économie mondialisée, 7,50\$    ☐ Éducation, économie et politique, 7,50\$    ☐ Réflexions sur la sociologie, 7,50\$    ☐ Écologie sociale et mouvements écologiques, 7,50\$    ☐ Les Femmes dans la sociologie, 7,50\$    ☐ La Sociologie une question de méthodes?, 8,50\$    ☐ Regards sur la théorie, 8,50\$    ☐ L'État et la société, 8,50\$    ☐ Enjeux « ethniques », 8,50\$  
☐ L'Information : mutation technique, changement de société, 9,50\$    ☐ Sociétés et vieillissement, 9,50\$    ☐ Santé mentale et processus sociaux, 9,50\$    ☐ Sociologie critique et création artistique, 9,50\$    ☐ Droit et pouvoir. Pouvoirs du droit, 10\$    ☐ Travail, santé, prévention, 10\$    ☐ Sociologie des phénomènes démographiques, 10\$    ☐ Nouvelles trajectoires sociologiques, 10\$

Un numéro sur la sociologie appliquée, vol. XX, n° 1, réalisé par Jean Renaud  
Sociologie des professions, vol. XX, n° 2, réalisé par Denise Couture

## Date d'expiration \_\_\_\_\_

Le numéro :

115

CODE POSTAL



**LES PRESSES DE L'UNIVERSITÉ DE MONTRÉAL**  
C.P. 6128, Succ. «A», Montréal (Québec), Canada H3C 3J7  
Tél. : (514) 343-6321